

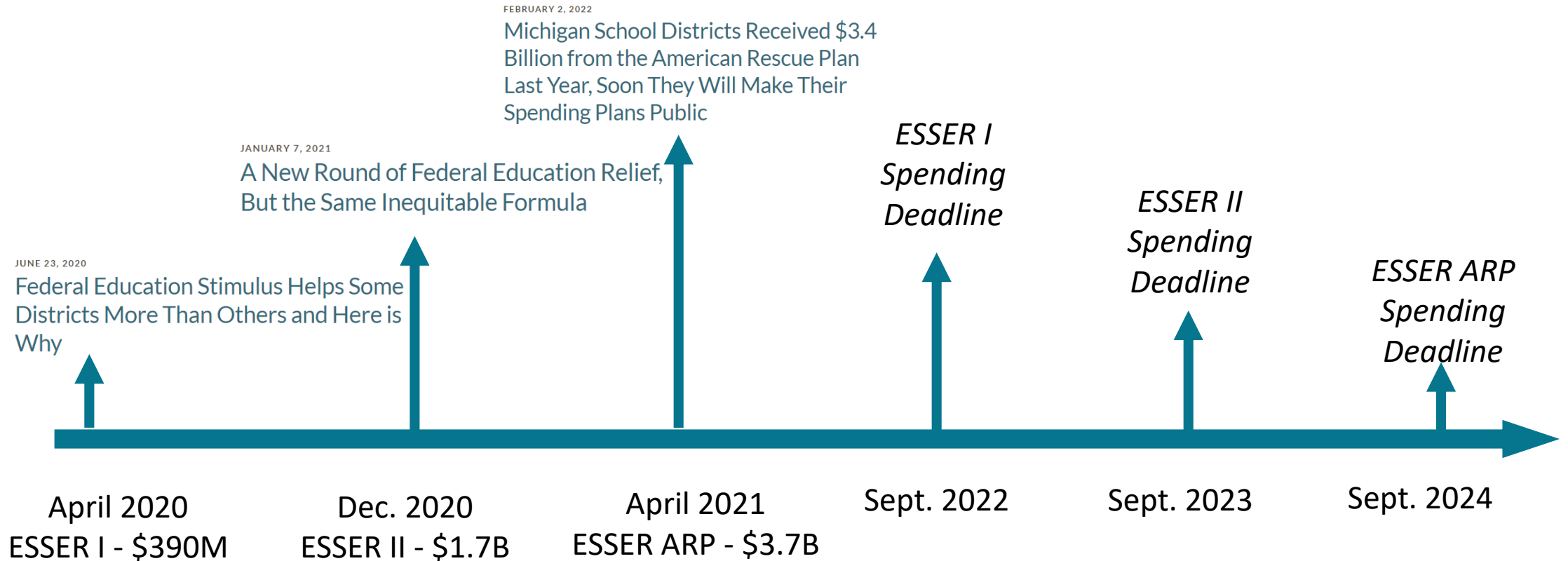
Federal K-12 Education Relief Funding

Craig Thiel, Research Director
Citizens Research Council of Michigan

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A Brief ESSER Chronology

ARPA the last of three packages - \$5.8B in total



How Much Federal Aid Are We Talking About?

Wide variation in per-pupil allocations across districts

Federal ESSER Formula Allocations by District Location

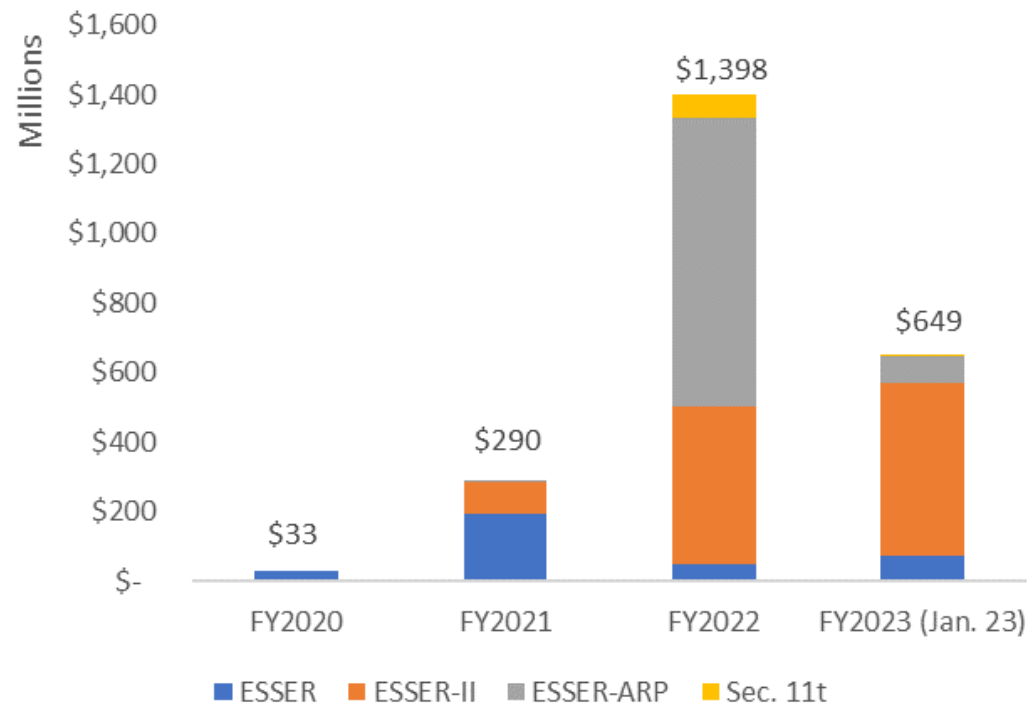
District Location	# of Districts	Total ESSER Formula Allocation	Students (Fall 2021)	Per Student
City	158	\$2,832,477,213	330,084	\$8,581
Rural	308	\$615,493,600	253,161	\$2,431
Suburb	239	\$1,322,770,789	626,969	\$2,110
Town	100	\$413,562,075	171,861	\$2,406
Total	805	\$5,184,303,677	1,382,075	\$3,751

Source: Michigan Department of Education, COVID relief budget requests

- ESSER - largest federal investment in K-12 education EVER
 - Twice as large as Obama-era relief
- 90% to school districts directly
 - Existing federal Title I formula
 - Greater amounts to low-income schools
 - Substantial variation in per-pupil amounts
- 10% to state for discretionary use
 - "Equalization" payments
 - Guarantee \$1,100 per student
- Money arrived ON TOP of historic state funding amounts

Statewide Spending Ramps Up

\$2.1B spent as of January with \$3.5B remaining

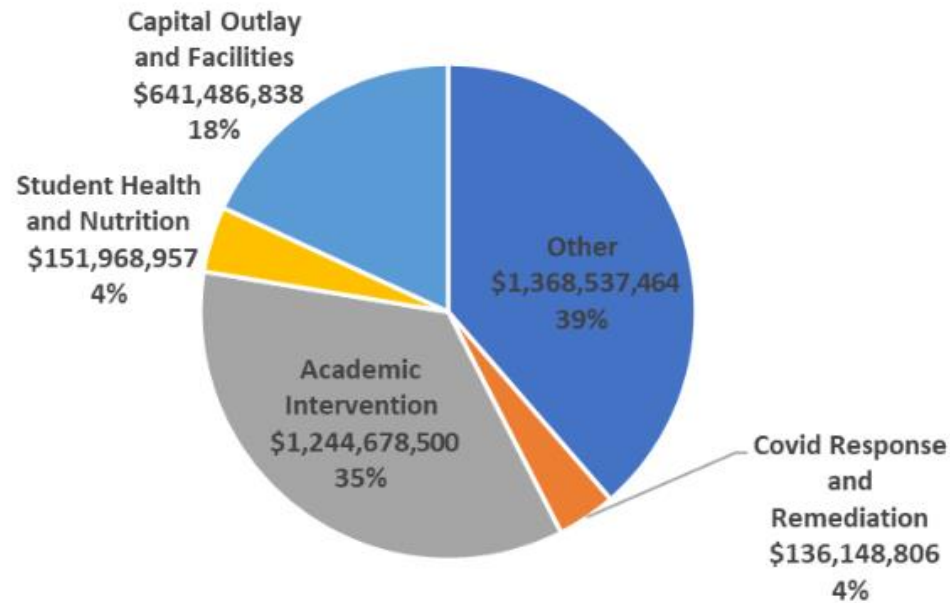


- Slow spending to start, but ramping up now
 - Access to funding required legislative sign-off and MDE approval
 - Districts using a “first in, first out” approach
- Statewide, 38% of funding spent – leaving \$3.5B unspent
 - FY2023 – projected \$2B total
 - Final \$2B to be spent in FY2024

Where is the money going?

District plans vary and are supposed to reflect community input

Districts' Planned Spending of Federal COVID Relief Funding



Source: Michigan Department of Education, COVID relief budget requests

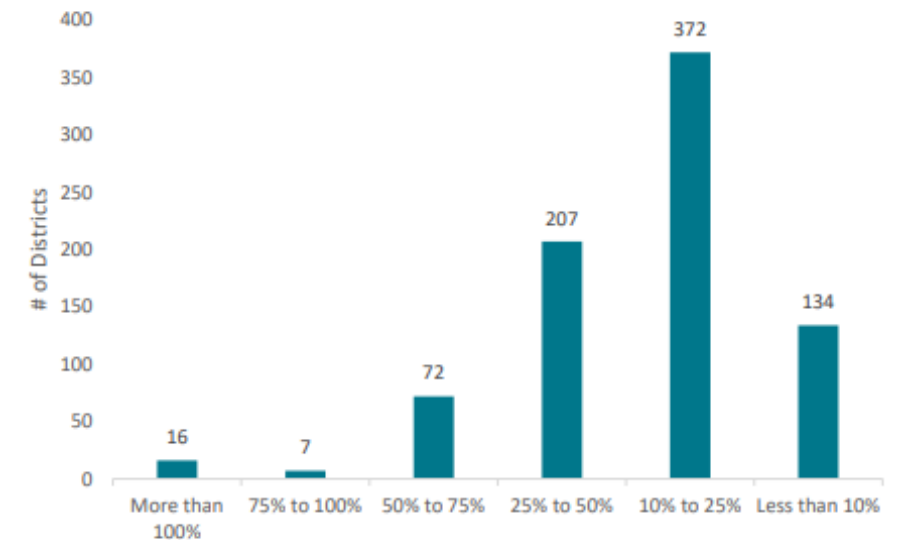
- Wide discretion in allowable uses of aid dollars
 - Despite early warnings, NOT used to back-fill state/local funding cuts
 - ARPA requires schools to spend at least 20% on “learning loss”
- Spending plans vary from district to district
 - Community input required
 - Largest category – “other” followed by “academic intervention”
- Timely public information about plans lacking – state and local

Status of Districts' Spending

Two-thirds of districts have \$2,300 per-pupil or less

- Overall, median “spend down rate” was 30% as of January 2023
 - In line with other states
 - But this does not account for differences in per-pupil amounts
- Compare unspent balances to \$9,150 per-pupil foundation grant
 - Handful of districts with substantial unspent balances
 - 95 districts with \$4,575 per-pupil or more to spend
 - These districts account for \$2.3B of \$3.5B unspent funds statewide

District ESSER Balances (percent of foundation allowance)

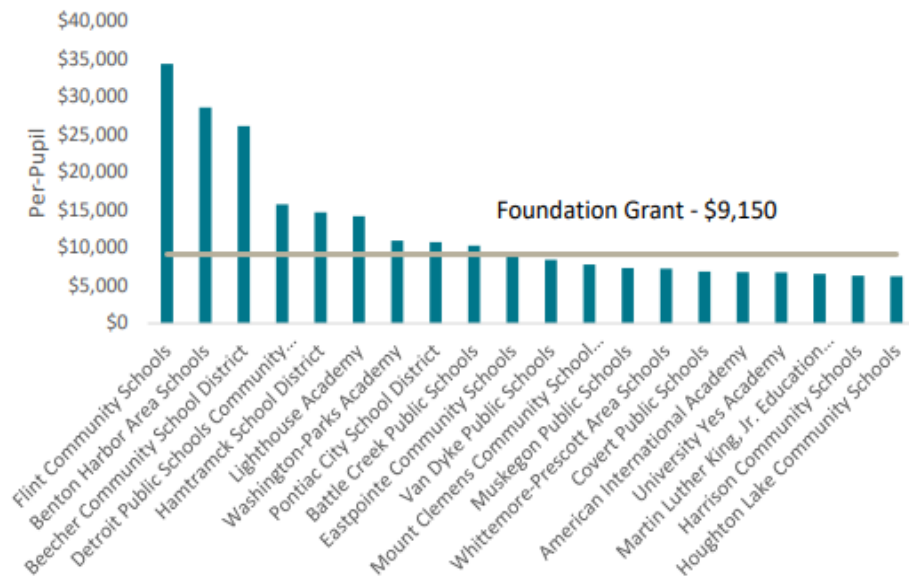


Source: Research Council analysis of data from the Michigan Department of Education

Districts with Largest Unspent Balances

- Challenges faced by districts
 - Tight labor market – ongoing school staffing challenges
 - Vendor availability and global supply chain issues
- Federal aid spending competes with state aid
 - Aid layered on top of growing state/local revenue base
 - Also, School Aid Fund surplus funds flowing to districts

Top 20 School Districts with Unspent ESSER Funds



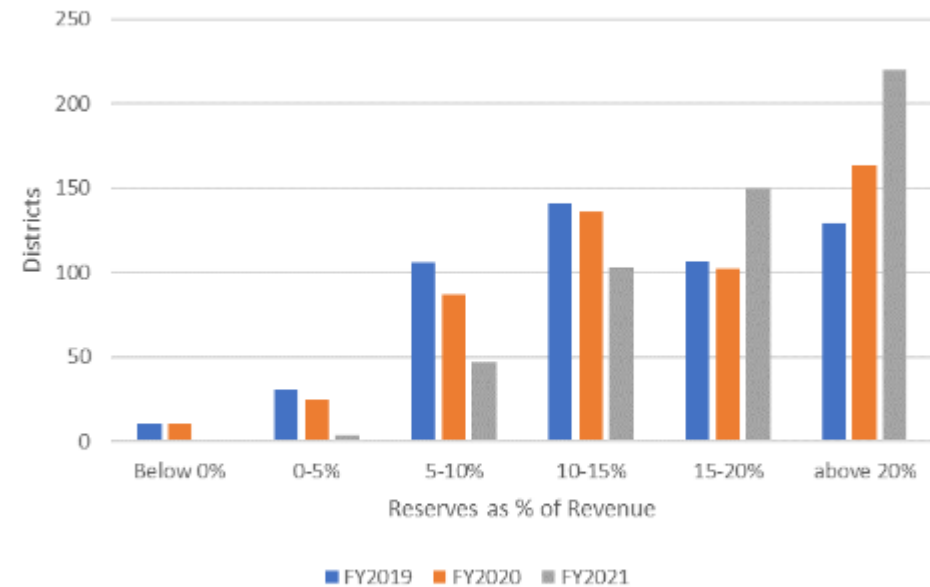
Source: Research Council analysis of data from the Michigan Department of Education

Funds Used to Improve Schools' Financial Health

Flexibility allowed districts to grow their reserves

- Statewide, districts' reserves doubled from \$1.2B (FY14) to \$2.4B (FY19)
 - Since pandemic, reserves grow to \$3.3B (about 17% of total revenue)
 - Per-pupil: \$1,600 (FY19) to \$2,300 (FY21)
- Aided in part by COVID funding
 - Substitute state and local spending with federal spending
 - Detroit example - \$700M set aside for facility upgrades

Traditional Public School Districts' Reserves as Percent of Revenue

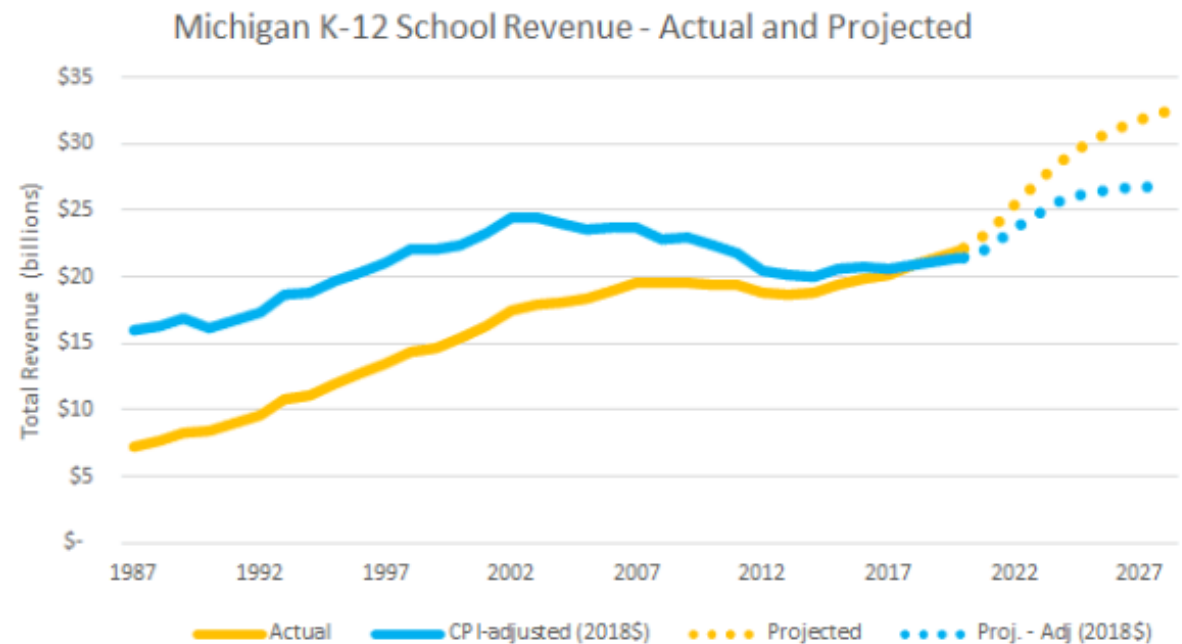


Source: Center for Educational Performance and Information

Impacts on K-12 Revenue Growth

Long spending tail, revenue growth begins to slow in 2025

- After years of slow growth in total K-12 revenue, federal aid changes growth trend trajectory
 - Four times the amount of aid provided in Great Recession
 - Comes on top of growing state/local revenue base
- Revenue growth slows in out years
 - Some districts face a potential “fiscal cliff”



Source: US Dept. of Education, Congressional Budget Office. Citizens Research Council estimates

Outstanding Questions Surrounding Federal Aid

- Are districts prepared for the coming “fiscal cliff” when funds expire?
 - How were one-time resources programmed – one-time vs. on-going spending
- Were ALL students needs met with the use of funds?
 - Still time to make adjustments to spending plans, but window closing quickly.
- Will parents, state officials, and taxpayers know how schools used the funds? And the effectiveness of the spending decisions made?
 - State- and district-level transparency has been lacking.

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